



Director of  
Central  
Intelligence

~~Secret~~

25X1

**MASTER FILE COPY**

**DO NOT GIVE OUT  
OR MARK ON**

## Political Succession in Taiwan

National Intelligence Estimate

~~Secret~~

*NIE 43-86  
July 1986*

Copy 296

THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

*The following intelligence organizations participated in the preparation of the Estimate:*

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, the Federal Bureau of Investigation, and the intelligence organizations of the Departments of State, the Treasury, and Energy.

*Also Participating:*

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

25X1

SECRET

25X1

**NIE 43-86**

## **POLITICAL SUCCESSION IN TAIWAN**

Information available as of 10 July 1986 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

SECRET



SECRET

25X1

## CONTENTS

	<i>Page</i>
SCOPE NOTE .....	1
KEY JUDGMENTS .....	3
DISCUSSION .....	9
Introduction: Background to the Succession Problem .....	9
Challenges Facing Potential Successors.....	11
Individuals Who Will Figure Prominently in the Succession .....	11
Prospects for the Succession.....	13
Implications for the United States.....	15

25X1



SECRET

25X1

## SCOPE NOTE

Both China and Taiwan will soon face the problem of political succession. But unlike China, where orderly succession to Deng Xiaoping seems to have been largely established, Taiwan faces greater uncertainties at the moment in determining who will succeed Chiang Ching-kuo. This Estimate explains why the transition in Taiwan is likely to be difficult, what some of the possible outcomes are, and how US interests are likely to be affected should political succession occur some time within the next few years.

25X1



SECRET

25X1

## KEY JUDGMENTS

Taiwan President Chiang Ching-kuo, 80, is unlikely to serve out his term of office, which extends until 1990. His departure will bring to an end the Chiang dynasty, which has ruled the Chinese Nationalist movement since 1927 and Taiwan since the Chinese civil war of the late 1940s. Despite existing constitutional provisions and whatever general succession plans Chiang may have made, we are concerned that the succession to him could be difficult because:

- Present constitutional succession procedures on Taiwan—by which native Taiwanese Li Teng-hui would succeed Chiang—do not accord with power realities; Li does not have the support among the mainlander inner circle necessary to effectively wield power.
- Chiang has not groomed a specific successor and has declared that he will not be succeeded by a member of his family.
- Certain key senior leaders, who almost certainly were to have played a prominent role in the transition, have become incapacitated or disgraced during the past two years.
- Members of the inner circle, fragmented by personal rivalries and policy differences, are likely to engage in a power struggle when Chiang is gone or can no longer effectively balance them.

25X1

We are particularly concerned that during the succession period, certain serious challenges could arise that might further complicate the situation on Taiwan. These potentially include:

- *Greater economic difficulties.* Taiwan has enjoyed rapid economic growth, but external trade problems and internal structural maladies could combine to create serious problems.
- *Difficulties in managing the relationship with the United States.* Relations with the United States are crucial for Taiwan, but Chiang's successors may experience problems with the United States over arms sales and Taiwan's \$10 billion trade surplus.
- *Increased inducements or pressure from China for negotiations to reunify Taiwan with the mainland.* China's approach to Taiwan will be influenced by both the forthcoming succession in China to Deng Xiaoping and China's perceptions of the political situation on Taiwan. Shifts in China's approach will affect Taiwan's internal political situation, most likely making leadership consensus more difficult to achieve.

SECRET

25X1

— *Imbalances and tensions in Mainlander-Taiwanese relationships.* Native Taiwanese now comprise 85 percent of Taiwan's nearly 20 million people, about 70 percent of the ruling Kuomintang (KMT - Nationalist Party) membership, and 46 percent of the prestigious KMT Central Standing Committee (CSC). But actual power is still exercised by mainlanders, and potential successors disagree about the pace and extent of Taiwanese participation. [REDACTED]

25X1

Responses to these challenges and the succession issue will be heavily determined by the leaders Chiang has drawn into the upper echelons of the KMT. These leaders derive power from their access to the President, and some have developed extensive personal loyalty networks within the party, government, and security services [REDACTED]

25X1

25X1

SECRET

SECRET

25X1

Our judgment is that initially there will be no clear-cut successor—a situation that might obtain for a few months or, more likely, for an extended period—but that a loose coalition representing the influence of most or all of those individuals we have noted, and perhaps a few others, will be established. This collective leadership would seek to perpetuate Chiang Ching-kuo's legacy. If Chiang were to step down before his term expires and allow Li to become President, it could give Li certain powers and advantages and might also smooth the transition. However, as the transition unfolds, Li Teng-hui would probably be a titular leader of the government but would not effectively wield power since senior mainlanders in the KMT would actually run things.<sup>1</sup> While such an arrangement might work out for a while, we believe that the stresses and challenges of governing, together with personal rivalries and political infighting among would-be contenders for Chiang's mantle, will probably result in policy drift and in failure to deal effectively with such important issues as power sharing with the native Taiwanese and economic reform. [REDACTED]

25X1

Consequently, over time, there will be a tendency for a new individual to arise who will attempt to assume Chiang's strongman role. No one would likely be able to attain Chiang's status quickly and would have to take into account various views in determining policy. Nevertheless, we believe that the rise of certain individuals could have policy implications. The rise of any particular individual is highly contingent upon the factors and potential challenges we have presented; evidence is lacking on which is most likely [REDACTED]

25X1

25X1

<sup>1</sup> The Director of the Bureau of Intelligence and Research, Department of State, feels that, as the hand-picked and constitutional successor, Li Teng-hui could well play a more effective role as leader of the transition team than suggested by this Estimate. To the extent that he does, the severity of potential problems identified here will be diminished. [REDACTED]

25X1

SECRET

25X1

25X1

[REDACTED]

During the short and medium term we believe that native Taiwanese are not likely to assume positions of actual power. Over the longer term, extending beyond the period of this Estimate, Taiwanese will probably gain a more significant role. The "Taiwanization" of the ruling KMT, a process now under way, could continue and perhaps be strengthened depending on who the successors are. If Taiwanization is not continued or if there is an effort to "turn back the clock" on Taiwanization by some senior mainlanders, it would greatly increase societal tension, possibly leading to conflict between mainlanders and Taiwanese. If Taiwanization is continued, we can visualize in the distant future that there could actually be a role reversal, with mainlanders holding figurehead positions, but native Taiwanese actually exercising power. [REDACTED]

25X1

We believe that the Taiwanization process will not be accompanied by significant steps toward democratization or ending one-party rule. We rule out the likelihood that opposition groups will play a significant role in the succession, and believe there will be no strong, broad-based support for greater democracy among Taiwanese in the KMT, or on the island, during the period of this Estimate. [REDACTED]

25X1

Taiwan's succession could be influenced by external factors. China's response will be of particular importance. We believe that China's leaders will continue to offer positive inducements for negotiating reunification, a situation that eases the perceived threat to Taiwan, but at the same time is likely to be a source of political controversy among Taiwan's leaders on how to respond. A more threatening stance by China, however, would cause the sublimation of political differences on Taiwan. We believe the Soviet Union will not be a player in the transition. While Japan has important economic interests in Taiwan, we believe Japan is not likely to be of great influence in the political succession. [REDACTED]

25X1

Taiwan's most crucial relationship is with the United States, and any new leader will want assurances of US support. Thus, US decisions, especially those concerning the sale of arms and weapons technology,

SECRET

25X1

will have an influence on succession politics. Beyond this, decisions by the United States on economic relations, unofficial visits, and other cooperative ties will also have an impact. Consequently, US actions, however well intended, could cause greater infighting among the leadership over how to and who can best manage the US connection.

25X1

But at the same time, the United States will be placed in the dilemma of trying not to jeopardize its ties to Beijing while also trying to support Taiwan during the crucial political transition:

- At the time of succession on Taiwan, the United States could face increased pressure from Beijing to cease arms sales to Taiwan. Beijing might also increase pressure on the United States to push Taipei into an accommodation with Beijing.
- If those leaders in Taiwan who favor more “official” status in relations with the United States come to power and try to subvert our existing agreements with Beijing on the “nonofficial” nature of our relations with Taiwan, Beijing might increase its protests and step up pressures on the United States to resolve the “Taiwan problem.”

25X1

Also, it will complicate the United States’ efforts to express support for Taiwan during the succession period if the successors do not move forward on such issues as democracy, free trade, and human rights.

25X1

We lack strong evidence on how particular succession scenarios might affect US interests, but we generally believe that:

- The initial succession period will most likely provide some challenges to the United States since there is a good chance that the predictability of Taiwan’s policies will decrease and the leadership’s capability to function effectively will come into question. If factional infighting and policy drift come about, US concerns on trade and other elements of the relationship will probably not be dealt with effectively.

25X1

SECRET

25X1

25X1

Despite the problems and uncertainties surrounding the succession, we do not anticipate a major political upheaval in Taiwan over the next five years. We also believe it unlikely that Taiwan will declare its independence or renounce its status as the "Republic of China" during the period of this Estimate, though mainlanders and Taiwanese favorably disposed toward a greater Taiwanese participation in policy matters could increase their political strength. Greater factional infighting on Taiwan in the succession period, however, may well test the ability of the United States to help maintain Taiwan's viability while at the same time continuing to improve relations with China.

25X1

SECRET

25X1

## DISCUSSION

## Introduction: Background to the Succession Problem

1. In recent months it has become increasingly apparent that Taiwan President Chiang Ching-kuo, 80, will probably not serve out his term of office, which extends until 1990. His departure will bring to an end the Chiang dynasty, which has ruled the Chinese Kuomintang (KMT-Nationalist Party) since 1927 and Taiwan since the Chinese civil war of the late 1940s. [ ]

2. Since Chiang's assumption of the presidency in 1978, he has continued many of the policies of his father, Chiang K'ai-shek, which enabled Taiwan to enjoy economic prosperity and political stability. Chiang has put his own stamp on policy, however, by moving more forcefully to allow native Taiwanese participation in party and government affairs. Chiang has been successful in:

- Promoting gradual "Taiwanization" of key institutions—including the KMT, government bureaucracy, and the military officer corps—to give Taiwanese a greater stake in and sense of identity with the KMT. Taiwanese, who comprise about 85 percent of Taiwan's nearly 20 million people, now make up over 70 percent of the rank and file of the KMT, 46 percent of the prestigious KMT Central Standing Committee, and almost half of the Cabinet.
- Implementing limited reforms to allow the Taiwanese electorate to choose most of its representatives, at least at the local level, and to permit the opposition (*dangwai*) to organize and to run candidates against the KMT in both local and national legislative elections.
- Fostering strong economic growth that has benefited the largely Taiwanese business and middle classes. Economic prosperity has helped mute communal antagonism, dissolved social barriers—particularly between the younger generation of mainlanders and Taiwanese—and diverted Taiwanese energies from politics into business, the professions, and education.
- Maintaining Taiwan's political independence in spite of erosions to its international diplomatic claim as the legitimate government of China, the "Republic of China." [ ]

3. Taiwan's progress in the past decade owes much to Chiang's ability to balance divergent loyalty networks within the KMT and to maintain some flexibility in policy. With his death or departure, we believe that the succession could be difficult and usher in a period of political and social instability. [ ]

4. One major reason the succession could be difficult is that the constitutional mechanisms for succession do not accord with the realities of power. Chiang has placed a native Taiwanese, Li Teng-hui, in position to constitutionally succeed him as leader of Taiwan, but not the KMT. In March 1986, Chiang also promoted Li to become third-ranking member of the prestigious KMT Central Standing Committee. As Vice President, Li represents a possible candidate to succeed Chiang Ching-kuo as President. But Li has no

SECRET

25X1

### Mainlanders Versus Taiwanese

Native Taiwanese—the majority of the population on Taiwan—trace their family histories back to the 17th-19th century migrations from southern Fujian Province. Others claim membership in the large Hakka community—centered in the northwest and southwest sections of the island—which came to Taiwan from Guangdong. Mainlanders—about 15 percent of the total population—include those who fled to Taiwan during the Nationalist retreat of 1948-50 and their offspring.

After a period of initial euphoria when Taiwan returned to mainland control at the end of World War II, mainland-Taiwanese relations rapidly soured as the Nationalist Army liquidated the indigenous elite and drained Taiwan's coffers to support the Nationalist war effort on the mainland. The crowning blow came on 28 February 1947—known as *Erer Ba* to native Taiwanese—after mainland troops killed an elderly Taiwanese woman. In the ensuing riots, over 10,000 Taiwanese lost their lives, setting the foundation for over 30 years of mainland-Taiwanese animosity.

Since the mid-1960s as economic conditions improved dramatically and as the KMT began to allow more and more Taiwanese—including some oppositionists—to campaign for national and local level legislative offices, friction between the two groups has decreased. Indeed, economic achievements have served as a cushion against political discontent by providing the growing Taiwanese middle class with one of the highest standards of living in East Asia. Distinctions between mainlanders and Taiwanese have also diminished over the years due to growing rates of intermarriage, a rare event 20 years ago. Additionally, most younger mainlanders—many of them born on Taiwan—speak the local Taiwanese (*taiyu*) dialect. Nonetheless, the lack of full participation in the political decisionmaking process has left some Taiwanese bitter and hostile toward the Nationalist regime; resolving the participation problem will likely be a crucial factor in the success or failure of a succession government.

constituency of his own and would be dependent on mainlanders who control key institutions—the party, the military, and security services. A scenario could develop whereby Chiang steps down before his term of office expires in order to promote Li as President. This would allow Chiang to use his political power to ward off opposition from the KMT old guard as well as to perpetuate the “Taiwanization” of the KMT. By backing Li, Chiang could devote his final energies toward establishing a collegium of individuals, thus further seeking to promote a smooth transfer of power

after his death and public confidence in the government. But we believe Li would be at best a titular successor only, with little, if any, of Chiang's power and prestige. This is because the senior mainlanders, who dominate the inner councils of power, are very unlikely to accept Li's leadership.

5. Another reason is that, unlike his succession to his father, Chiang has decreed that no member of his family will succeed him. Furthermore, members of his

25X1

### The End of the Chiang Dynasty

Chiang Ching-kuo's death will signal the end of the Chiang Dynasty's rule on Taiwan. Groomed to succeed his father over a 30-year period, Chiang has not repeated the process with any of his immediate family members. None of Chiang's three legitimate sons—whose half-Russian parentage effectively disqualifies them as successors in the eyes of many racially conscious Chinese—are expected to figure prominently in any succession government. Indeed, Chiang has stressed publicly that no member of his family will succeed him.

25X1

25X1

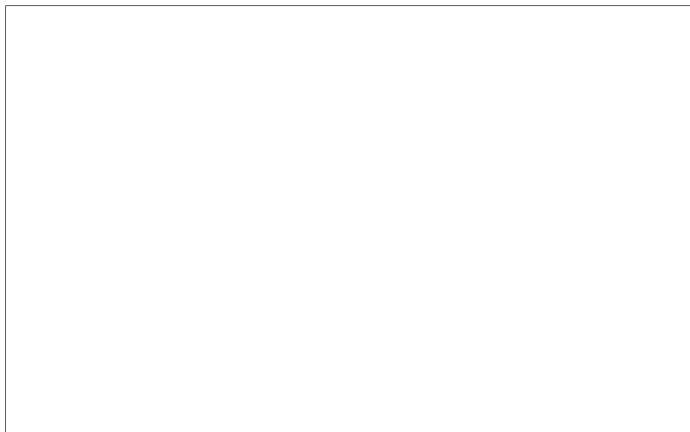
25X1

Some press attention has been focused on Chiang's illegitimate sons. Chang Hsiao-yen (John Chang) currently serves as Director of the North American Affairs Department of the Foreign Ministry and reportedly is close to his father. Many local pundits believe that he will have an influential role in a future government, though he is not well positioned to actually become his father's successor. Chang's twin brother, Chang Hsiao-tzu, is head of the Law Department at Soochow University.

25X1

SECRET

family have shown little proclivity for or inclination toward high political office [redacted]



7. As a result of these and other personnel shifts, and since Chiang has not groomed a successor, no single identifiable individual has emerged who can balance personal loyalty networks and groups as has Chiang Ching-kuo. Without his presence, members of the inner circle, fragmented by personal rivalries and policy differences, may become mired in a power struggle, which could lead to indecision and policy drift. [redacted]

#### Challenges Facing Potential Successors

8. We are particularly concerned that during the succession period, certain serious challenges could arise that might further complicate the situation on Taiwan. These potentially include:

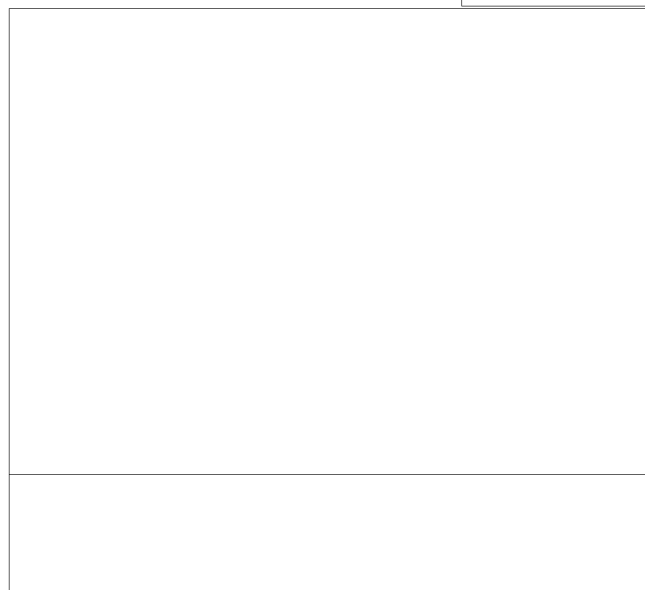
- *Greater economic difficulties.* Taiwan has achieved rapid economic growth over the past decade. But problems such as a huge foreign surplus (almost \$30 billion—nearly equal to that of Japan and rapidly growing), falling private investment, rising unemployment, and other structural impediments could become serious. Business confidence has been further undermined by lack of a credible successor to Chiang.
- *Difficulties in managing the relationship with the United States.* Relations with the United States are crucial for Taiwan. Taiwan's leaders will have to cope with the US pledge to continue reducing the dollar value (adjusted for inflation) and quality of arms it provides Taiwan under the August 1982 Communique with China. Leaders on Taiwan seek to circumvent that agreement. Additionally, there is pressure from the United States on Taiwan to reduce the \$10 billion trade surplus and to stop counterfeiting goods. These pressures could prove disruptive.

— *Increased inducements or pressure from China for negotiations to reunify Taiwan with the mainland.* Should China's present low-key approach to Taiwan shift because of China's own leadership transition or because of China's leader's perceptions of the changing situation in Taiwan, the result could be troublesome. China's blandishments could make leadership consensus in Taiwan more difficult to achieve while greater pressure would exacerbate the island's perception of threat.

— *Imbalances and tensions in Mainlander-Taiwanese relationships.* While Chiang has expanded the Taiwanese role within the KMT and government, many mainlanders are reluctant to take further steps to share power. Tensions between mainlanders and Taiwanese could be further exacerbated by the unwillingness of mainlanders to let Li Teng-hui actually rule. The problem for mainlanders of how to democratize without jeopardizing their privileged position remains essentially unresolved. [redacted]

#### Individuals Who Will Figure Prominently in the Succession

9. The succession to Chiang and the approach taken to the resolution of Taiwan's many challenges will be determined by key individuals who President Chiang has brought into the inner circle. These leaders derive power from their access to the President, and some have developed extensive personal loyalty networks within the party, government, and security services. These influential figures include prominent mainland-civilians, representatives of the military and security services, and some native Taiwanese [redacted]



SECRET

25X1

---

**Taiwan's Economy: An Overview**

Taiwan's sharp decline in economic growth from 10.5 percent in 1984 to 4.6 percent in 1985 probably foreshadows several years of slower growth. Although strong by international standards, growth of 4 to 5 percent is below Taiwan norms and is likely to shake consumer confidence and dampen domestic investment needed to reshape the economy. The export sector, which has accounted for half of Taiwan's GNP over the past five years, faces both growing protectionism in developed countries and stiffer competition from developing nations. The decline in 1985 led to a sharp drop in domestic investment, increasing business failures, and growing unemployment—as much as 20 percent in some areas. In the near term, how quickly the economy recovers will depend in large part on a resurgence in demand for Taiwan's exports, particularly in the United States, its largest market. Over the long run, Taiwan must diversify markets. Taiwan could remain competitive in exports if government-initiated reforms were implemented, but Taipei has been reluctant to take firm action to open its economy and boost its more technologically advanced industries.

Taipei has taken some halting steps to liberalize its economy and thus encourage investment and more trade. Restrictions on foreign investment, information exchange, and financial transactions have been eased. These changes should benefit the domestic economy greatly, especially in the long run. However, there are both positive and negative effects of Taiwan's trade related measures. For example, in response to US

demands, Taipei has selectively reduced tariffs; but if Taiwan reduced tariffs on all or most imports, Japan—Taiwan's largest supplier—would be the main beneficiary, not the United States. Devaluing the New Taiwan dollar, moreover, would boost exports but would also increase the costs of imports, widening the Taiwan-US trade gap.

Energy supplies and market access may be the two largest issues facing Taiwan in the future. Taipei, once eager to find new sources of energy, has done little to reduce its dependence on foreign oil and coal, which total about 90 percent of energy supplies. As long as prices are depressed, Taiwan can continue to rely on energy imports. At the same time, increasingly restricted access to foreign markets gives Taiwan fewer customers for its products and will continue to dampen growth rates. But if prices on energy and other raw materials rebound, Taiwan will be ill prepared to stave off market inflation and a major economic slowdown.

Taiwan benefits from unofficial trade with China. Annual indirect trade now totals about \$1.6 billion, three-fourths of which are exports from Taiwan. It could continue to grow at an average rate of 15 to 20 percent a year for quite some time. Thus, Taiwan's indirect exports to China may total \$3 billion annually by 1990. Were Taipei to change its current policy and permit completely open trade with China, Taiwan might export as much as \$6-10 billion by 1990 and boost its annual economic growth rate by 2 or 3 percentage points.

25X1

25X1

SECRET

25X1

25X1

which individuals he encourages or allows to remain close to the levers of power, and how much power he actually gives them. When he is gone, potential successors will be hard pressed to achieve the "Mandate of Heaven" and establish authority and legitimacy in the transition period. There are several potential succession outcomes, which will have implications for US interests. [REDACTED]

25X1

14. We judge that initially there will be no clear-cut successor—a situation that might obtain for a few months or, more likely, an extended period—but that a loose coalition representing the influence of most or all of the individuals we have noted above, and perhaps a few others, will be established. This collective leadership would seek to perpetuate Chiang Ching-kuo's legacy. Li Teng-hui would probably be titular leader but would not effectively wield power since senior mainlanders would actually run things.<sup>3</sup> While such an arrangement might work out for a while, we believe that the stresses and challenges of governing, together with personal rivalries and political infighting among would-be contenders for Chiang's mantle, will probably eventually result in policy drift and in failure to deal effectively with such important issues as power sharing with the native Taiwanese and economic reform. [REDACTED]

25X1

15. Consequently, over time, there will be a tendency for a new single individual to arise who will attempt to assume Chiang's strongman role. No one would probably be able to attain Chiang's status quickly and would have to take into account various views in determining policy. Nevertheless, we believe that the rise of certain individuals could have policy implications. The rise of any particular person is highly contingent upon the factors and potential challenges we have presented, evidence is lacking on which is most likely [REDACTED]

25X1

25X1

### Prospects for the Succession

13. The outcome of the succession depends on how much longer Chiang remains effectively in control,

<sup>3</sup> The Director of the Bureau of Intelligence and Research, Department of State, feels that, as the hand-picked and constitutional successor, Li Teng-hui could well play a more effective role as leader of the transition team than suggested by this Estimate. To the extent that he does, the severity of potential problems identified here will be diminished.

SECRET

25X1

25X1

### The Dangwai Point of View

The opposition, or *dangwai* trace their beginnings back to the 1950s, but assumed their present form during the early 1970s when the government allowed *dangwai* candidates to run for national legislative office for the first time.

At present, there are three recognizable *dangwai* factions. The Kaohsiung Incident faction (named for the demonstration that took place in December 1979 that escalated into a riot and resulted in the arrest and imprisonment of 39 people) led by the relatives and lawyers of leading Kaohsiung Incident prisoners have been the dominant group since 1983. Militant and inclined toward confrontational tactics, they are also the most outspoken in favoring self-determination for Taiwan. Their voter appeal—based on a sympathy vote for their jailed relatives—has begun to decline as the memory of the Kaohsiung Incident begins to fade.

The fastest growing group within the *dangwai* is the New Generation faction. A strong proponent of moving step by step toward forming a formal political party, it has its origins in opposition magazines and some Taiwan universities. The New Generation faction has a strong appeal among younger voters and can even count some younger mainland politicians among its adherents.

The most moderate of the factions is led by veteran politician K'ang Ning-hsiang—long an advocate of working within the system and even cooperating with the KMT, particularly with younger KMT mavericks in the Legislative Yuan. K'ang and his followers generally appeal to the mainstream voter in Taiwan who is looking for an alternative to the KMT.

The *dangwai* leaders are opposed to continued KMT and mainlander dominance and have used their restricted political freedom to push for:

- An end to martial law.
- The right to form legal political parties.
- Freedom of assembly and the right to demonstrate.
- Direct elections for key offices.

25X1

25X1

will continue to prefer to continue to offer positive inducements for negotiating reunification, a situation that eases the perceived threat to Taiwan, but at the same time is likely to be a source of political controversy among Taiwan's leaders on how to respond. A more threatening stance by China could, paradoxically, cause the sublimation of political differences on Taiwan. We believe the Soviet Union will not be a

25X1

16. During the short and medium term we believe that native Taiwanese are not likely to assume positions of actual power. Over the longer term, extending beyond the period of this Estimate, Taiwanese will most likely gain a more significant role. Any effort to discontinue or "turn back the clock" on Taiwanization we believe would greatly increase societal tension, possibly leading to conflict between mainlanders and Taiwanese. We can visualize in the distant future that there could actually be a role reversal, with mainlanders holding figurehead positions but native Taiwanese actually exercising power. [ ]

17. We believe that the Taiwanization process will not be accompanied by significant steps toward democratization or ending one-party rule. While the KMT may make additional overtures to the opposition *dangwai*, we rule out the likelihood that opposition groups will play a significant role in the succession, and believe there will be no strong, broad-based support for greater democracy among Taiwanese in the KMT, or on the island, during the period of this Estimate. [ ]

18. Taiwan's succession could be influenced by several external factors. Of particular importance will be China's response. We believe that China's leaders

SECRET

player in the transition. While Japan has important economic interests in Taiwan, we believe Japan is not likely to be a great influence in the political succession, except indirectly as Japanese policy affects Taiwan's economic situation. [REDACTED]

### Implications for the United States

19. A significant test for the United States will be how to deal with the new leadership. Regardless of who comes to power, any new leader will want assurances of US support and will regard strong substantive ties to the United States as vital to Taiwan's security, its economic well-being, and—by extension—its political stability. As Beijing continues to chip away at Taipei's ties to other countries, the new leaders are likely to see Taiwan as even more dependent on the United States. But support may prove difficult for the United States in the case of successors who favor policies that are not parallel with US objectives. [REDACTED]

20. A particularly sensitive issue will be the military relationship, and specifically, decisions made by the United States on the supply of arms. Any government in Taipei will view the supply of weapons as both a symbol of Washington's continued commitment to Taiwan's security and as a key deterrent to Chinese military intervention or intimidation. Taipei has not been very successful in diversifying its sources of supply since the United States normalized relations with China in 1979. Nor will Taiwan have the technical know-how or funds necessary to make its defense industries self-sufficient in the foreseeable future. Even the new weapon systems its industries have produced over the past few years have required foreign—mainly US—technology and components. Therefore, Taiwan will remain heavily dependent on the United States for advanced military technology for the foreseeable future. As the implementation of the August 1982 Sino-US Communique on US military sales to Taiwan gradually reduces US arms for Taiwan over the next few years, [REDACTED]

21. But at the same time, Beijing is likely to put increasing pressure on the United States to abide by China's interpretation of the provisions of the August 1982 agreement and cease arms sales altogether. Chinese leaders continue to publicly insist that Taiwan is a key irritant in the Sino-US relationship and that arms sales are the test issue. Hu Yaobang has been particularly strident on the Taiwan question, and if he succeeds Deng, as we anticipate, then the United States may face greater difficulty with China over the

sale of arms to Taiwan. Additionally, Beijing might see the leadership transition in Taiwan as an opportune time to press for reunification and exert greater pressure on the United States to push Taiwan to negotiate. Beijing might adopt a similar course if it perceived Taiwanization jeopardized its goal of reunification. [REDACTED]

22. The United States could also face increased concern over the "officiality" question. Some Taiwan leaders are trying to restore greater officiality in the status of relations between Taiwan and the United States. This would undermine Washington's agreements with Beijing specifying that our contacts with Taiwan are nonofficial and people to people. [REDACTED]

23. The United States would like any new government in Taiwan to be more responsive to the aspirations of the Taiwanese majority, more tolerant of the political opposition (*dangwai*), and in general more sensitive to human rights questions. Such a government would be most likely to achieve political stability at home and promote political tranquility in the region. However, we are concerned that political trauma during the succession could limit or perhaps even retard progress in Taiwanese participation and human rights questions, and we are not optimistic that the successor regime will make significant progress in these areas over the next few years. [REDACTED]

24. Another significant interest for the United States is the reduction of Taiwan's massive \$10 billion trade surplus with the United States. The United States will also continue to push Taiwan to take strong measures against counterfeiting Western goods. Taiwan's economy will remain highly dependent on exports to the United States, and during the succession period, Taiwan's leaders, already divided by other troublesome policy questions, will most likely not move decisively to address key trade issues. Only a strong, stable government is likely to be responsive to US concerns on these problems, a situation that, unfortunately, we think is not in the cards, at least in the short term. [REDACTED]

25. We lack strong evidence on how particular succession scenarios might affect US interests, but we generally believe that:

- The initial succession period will pose difficulties and challenges to the United States since there is a good chance that the predictability of Taiwan's

SECRET

25X1

policies will decrease and its capability to function effectively will come into question. If factional infighting and policy drift come about, there is a greater danger some leaders on Taiwan might adopt policies, such as insisting on greater officiality or escalating demands for arms sales, which could embarrass US relations with China. Also, US concerns on human rights, trade, and other elements of the relationship will probably not be effectively dealt with.

25X1

26. Despite the problems we project for the succession and the uncertainties surrounding who may eventually emerge to replace Chiang Ching-kuo, we do not anticipate a major political upheaval in Taiwan over the next five years. We also believe it unlikely that Taiwan will declare its independence or renounce its avowed status as the "Republic of China" during the period of this Estimate, though we also believe, depending on the policies adopted by Chiang's successors, that mainlanders and Taiwanese favorably disposed toward greater Taiwanese participation in policy matters could increase their political strength. Greater factional infighting on Taiwan in the succession period, however, may well test the ability of the United States to help maintain Taiwan's viability while at the same time continuing to improve relations with China.

25X1

25X1

25X1

**Page Denied**

Next 2 Page(s) In Document Denied

#### DISSEMINATION NOTICE

1. This document was disseminated by the Directorate of Intelligence. This copy is for the information and use of the recipient and of persons under his or her jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director, Bureau of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, for the Department of the Army
- d. Director of Naval Intelligence, for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, for the Department of the Air Force
- f. Director of Intelligence, for Headquarters, Marine Corps
- g. Deputy Assistant Secretary for Intelligence, for the Department of Energy
- h. Assistant Director, FBI, for the Federal Bureau of Investigation
- i. Director of NSA, for the National Security Agency
- j. Special Assistant to the Secretary for National Security, for the Department of the Treasury
- k. The Deputy Director for Intelligence for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Directorate of Intelligence.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should be destroyed or returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text is unclassified.

**Secret**

**Secret**